

Department of Finance and Administration

Legislative Impact Statement

Bill: HB2106

Bill Subtitle: TO DEVELOP AND IMPLEMENT AN ONLINE MOTOR VEHICLE LIABILITY INSURANCE VERIFICATION SYSTEM; AND TO ENHANCE COMPLIANCE WITH AND THE ENFORCEMENT OF MOTOR VEHICLE LIABILITY INSURANCE REQUIREMENTS.

Basic Change :

Sponsors: Reps. Johnson and Fielding; Sen. English

HB2106 requires the Department of Finance and Administration (DFA) in cooperation with the Insurance Commissioner and the Arkansas State Police (ASP) to establish an online motor vehicle liability insurance verification system to be known as the Vehicle Insurance Database. The bill also requires DFA to design and implement another database that can be updated by the insurance companies and audited by an independent auditor. DFA may contract, in compliance with Arkansas procurement law, with a private vendor to develop, implement, operate and maintain all or part of the database.

Pursuant to this bill the database shall be designed to:

1. Reduce the number of uninsured motorists;
2. Operate reliably;
3. Protect the privacy of the motor vehicle owner or operator;
4. Safeguard the security and integrity of the of the information;
5. Identify and employ a method of compliance that improves public convenience;
6. Provide information that is accurate, current and capable of being audited by an independent auditor.

This bill further lists additional requirements of the database and requires DFA to make it accessible to the Insurance Commissioner, the courts, law enforcement and county assessors. Current law does provide access to information in the database to law enforcement, but does not provide access to the Insurance Commissioner, the courts or county assessors.

DFA is directed in this bill to facilitate the administration and notice of suspension of motor vehicle registration upon receipt of notice that a motor vehicle liability insurance policy has been cancelled or no longer meets the minimum coverage required by Arkansas law. This is a change from current law that requires suspension of registration and license when ordered by a court for failure to maintain the required insurance. This bill adds that the presumption of non-insurance is rebuttable by a proof of insurance card issued within the preceding 60 days of the attempt to verify the liability insurance coverage.

The insurance companies are directed by this bill to provide DFA all information in the time and manner required by DFA. The data to be submitted by the insurance company is specified in this bill and includes more information than is required by current law. Commercial vehicle policies are excluded from the Vehicle Insurance Database. The bill adds that if an insurance company fails to comply, the Insurance Commissioner may impose an appropriate sanction under § 23-63-213, including the suspension or revocation of the insurance company's certificate of authority. Current law provides that DFA may assess a penalty. This bill will change this by stating DFA shall, by following procedures set forth in rules promulgated by DFA, assess a penalty against an insurance company not to exceed \$250 each day the insurance company fails to comply.

Department of Finance and Administration

Legislative Impact Statement

Bill: HB2106

Bill Subtitle: TO DEVELOP AND IMPLEMENT AN ONLINE MOTOR VEHICLE LIABILITY INSURANCE VERIFICATION SYSTEM; AND TO ENHANCE COMPLIANCE WITH AND THE ENFORCEMENT OF MOTOR VEHICLE LIABILITY INSURANCE REQUIREMENTS.

At the time of a traffic stop, the bill states a law enforcement officer shall request an operator of a motor vehicle to present a proof of insurance card in paper form or electronic form that evidences compliance with minimum liability insurance requirements. The failure to present the card shall be punished by a \$25 fine.

Finally, DFA is directed to send letters giving notice of noncompliance if it is determined from information in the database that a motor vehicle is not covered by the minimum liability insurance coverage required. The registered owner who receives this notice shall provide proof of coverage to DFA within 15 days from the mailing date.

Revenue Impact :

\$1,200,000 per year to implement and maintain the system provided in this bill.

Taxpayer Impact :

Taxpayers may start to receive notices of non-compliance and have their vehicle registration suspended if they do not provide proof of insurance within 15 days of mailing the notice.

Resources Required :

The estimated cost to implement the online insurance verification system with both real-time event driven verification and ongoing verification to identify cancellations, taxpayer service, notification letters, suspension letters, personnel to determine when compliance has been met and reinstate the suspended registrations and other duties would cost an estimated \$100,000 per month or \$1,200,000 per year.

Time Required :

There is no emergency clause, but with the procurement process, programming, training, implementation is likely to take more than a year. It is unknown how much time would be required by the insurance companies to change their programming to comply with this bill. Significantly more time is needed if this bill is passed.

Procedural Changes :

Procedural changes will be required if this bill is passed.

Other Comments :

This bill appears to require both an online insurance verification system and also a database which will be updated electronically by the insurance companies.

Department of Finance and Administration

Legislative Impact Statement

Bill: HB2106

Bill Subtitle: TO DEVELOP AND IMPLEMENT AN ONLINE MOTOR VEHICLE LIABILITY INSURANCE VERIFICATION SYSTEM; AND TO ENHANCE COMPLIANCE WITH AND THE ENFORCEMENT OF MOTOR VEHICLE LIABILITY INSURANCE REQUIREMENTS.

Legal Analysis :

The Department of Finance and Administration (DFA), in cooperation with the Insurance Commissioner and the Department of Arkansas State Police, shall establish an accessible online motor vehicle liability insurance verification system to be known as the "Vehicle Insurance Database".

The bill also requires DFA to design and implement another database that can be updated by the insurance companies and audited by an independent auditor. DFA may contract, in compliance with Arkansas procurement law, with a private vendor to develop, implement, operate and maintain all or part of the database.

This bill further requires DFA to make this specific database accessible to the Insurance Commissioner, the courts, law enforcement and county assessors.

DFA is directed in this bill to facilitate the administration and notice of suspension of motor vehicle registration upon receipt of notice that a motor vehicle liability insurance policy has been cancelled or no longer meets the minimum coverage required by Arkansas law. This is a change from current law that requires suspension of registration and license when ordered by a court for failure to maintain the required insurance. This bill adds that the presumption of non-insurance is rebuttable by a proof of insurance card issued within the preceding 60 days of the attempt to verify the liability insurance coverage.

DFA is directed to send letters giving notice of noncompliance if it is determined (from information in the database) that a motor vehicle is not covered by the minimum liability insurance coverage required. The registered owner who receives this notice shall provide proof of coverage to DFA within 15 days from the mailing date.